

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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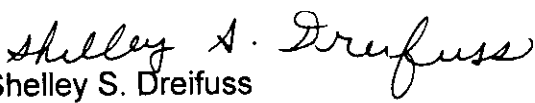
Postal Rate and Fee Changes, 1997)

Docket No. R97-1

ANSWERS OF THE OFFICE OF THE CONSUMER ADVOCATE
TO INTERROGATORIES OF BROOKLYN UNION GAS
WITNESS: GAIL WILLETTE (BUG/OCA-T400-1-7)
(JANUARY 26, 1998)

The Office of the Consumer Advocate hereby submits the answers of Gail Willette to interrogatories of Brooklyn Union Gas, dated January 12, 1998. Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,


Shelley S. Dreifuss
Attorney
Office of the Consumer Advocate

ANSWERS OF OCA WITNESS GAIL WILLETTE
TO INTERROGATORIES BUG/OCA-T400-1-7

BUG/OCA-T-400-1. Please refer to page 5 of your testimony. There you indicate that you believe that the cost study prepared by Postal Service witness Miller for PRM/QBRM is applicable to CEM. On page 6 of your testimony you state that "...the cost avoidance of courtesy reply mail ("CRM") and PRM letters is the same."

(a) Aside from the determination, administration and payment, please explain why you believe the processing costs for CEM and PRM are the same.

(b) Are you aware that USPS witness Miller stated (in response to BUG/USPS-T-23-11) that his testimony "measures the mail processing cost avoidance between a preapproved, prebarcoded reply mail piece and a handwritten reply mail piece. The delivery attributes would have been the same for both mail pieces and were not included in my testimony as they would not have contributed to further increasing the magnitude of the cost avoidance."? See Attachment A.

(c) Is it your view that the delivery attributes of PRM and CEM are identical? Please explain.

(d) Is a minimum PRM monthly volume of 33,333 pieces (your testimony, page 22) a significant delivery attribute? Please explain any no answer.

A. (a) These are mail pieces that are being mailed to businesses whose volume is large enough to avoid delivery. Witness Miller testified that CRM and BRM are two different types of prebarcoded reply mail. That both are prebarcoded leads me to conclude that both would be processed identically. Therefore, mail processing costs should be the same.

(b) Yes.

(c) If not identical, I would expect them to be very close.

(d) I am not sure what you mean by "significant delivery attribute." The figure you cite was included in my discussion of the PRM monthly fee.

ANSWERS OF OCA WITNESS GAIL WILLETTE
TO INTERROGATORIES BUG/OCA-T400-1-7

BUG/OCA-T-400-2. On page 12 of your testimony you state that the maximum revenue reduction would be \$219 million under your proposal to offer a 3-cent discount to qualifying CEM letters. How should the Postal Service make up these lost revenues?

A. I have not taken a formal position on the recovery of the \$219 million. I note that the Postal Service's financial position is more sound than was anticipated when this case was filed. Please see Tr. 9/4397-8 and id. at 4549-50. Please keep in mind also that the \$219 million is the **maximum** expected reduction. There is little reason to believe that maximum use will occur in the first few years of offering this new service.

ANSWERS OF OCA WITNESS GAIL WILLETTE
TO INTERROGATORIES BUG/OCA-T400-1-7

BUG/OCA-T-400-3. On page 15 of your testimony you state that your proposal "does not contemplate that the Commission adopt CEM as a replacement of PRM and QBRM." Do you believe that your proposal for a CEM discount should be considered by the Commission separate and apart from the Service's proposal to establish a PRM rate? Please explain.

A. Yes. While there are similarities in the two, they are two distinct products. PRM is a product being offered to businesses, while CEM is a product for consumers, regardless of whether the businesses they use decide to offer PRM.

ANSWERS OF OCA WITNESS GAIL WILLETTE
TO INTERROGATORIES BUG/OCA-T400-1-7

BUG/OCA-T-400-4. Do you agree that aside from postage determination, administration and payment, CEM and PRM differ substantially on volume densities as the mail is received at the delivery office? Please explain any no answer.

A. As you can see from page 12 of my testimony, witness Fronk provided an estimate of total CRM pieces in the test year based on FY 1996 ODIS volume data. I am unaware of any estimate of the number of CRM providers. Therefore, I cannot calculate or estimate the volume density of CEM.

ANSWERS OF OCA WITNESS GAIL WILLETTE
TO INTERROGATORIES BUG/OCA-T400-1-7

BUG/OCA-T-400-5. On page 17 (Line 15-16) of your testimony you note that "CEM is superior to PRM because it is less complicated." On page 25 you state that "CEM has many advantages over PRM."

(a) In your view is CEM "superior to" and "has advantages over" PRM only because of the way in which postage is determined, administered and paid by PRM recipients? Please explain any no answer.

(b) In your view, is it "less complicated" for the Postal Service to provide and administer (including education and enforcement) two separate First-Class stamps for millions of residences and businesses than for a finite number of sophisticated PRM recipients to determine, administer, and pay postage on PRM mail pieces they receive. Please explain any yes answer.

A. (a) No. CEM is available to anyone who buys a stamp and puts it on a qualifying mailpiece. PRM, on the other hand, is only available to consumers if the businesses they mail to decide to offer the service.

(b) In most cases CEM will bear proper postage and be processed easily. The only difficulty that could complicate the processing of CEM would be short-paid postage. I believe such instances would be rare. In fact, overpayment of postage is more likely in my view. The Postal Service currently deals with many stamps in many denominations. If short paid postage were a large problem for the Postal Service, I would expect to see it studied in greater detail than it has been in the past.

In contrast, PRM auditing is not rare, but routine. That is how I concluded that CEM is less complicated than PRM.

ANSWERS OF OCA WITNESS GAIL WILLETTE
TO INTERROGATORIES BUG/OCA-T400-1-7

BUG/OCA-T-400-6. On page 20 of your testimony you state that "PRM will not likely attract many mailers." By use of the word "mailers", are you referring to PRM recipients (who distribute qualified PRM letters) or PRM mailers (who return qualified PRM letters to the PRM recipients)?

A. I was referring to mailers who distribute qualified PRM envelopes for use by their customers.

ANSWERS OF OCA WITNESS GAIL WILLETTE
TO INTERROGATORIES BUG/OCA-T400-1-7

BUG/OCA-T-400-7. On page 22 of your testimony you note that the \$1,000 monthly fee alone, for PRM recipients, implies that a minimum of 33,333 letters must be received each month in order to break even. What will be the minimum monthly volume for CEM recipients under your proposal?

A. CEM mailers will save three cents on every piece they mail. There is no minimum volume to recipients which makes CEM feasible. The cost to CEM recipients already preparing CRM envelopes is zero.

DECLARATION

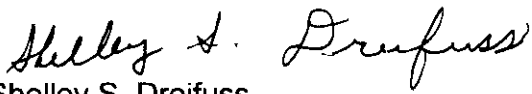
I, Gail Willette, declare under penalty of perjury that the answers to interrogatories BUG/OCA-T400-1-7 of the Brooklyn Union Gas Company are true and correct, to the best of my knowledge, information and belief.

Executed 1/24/98

Gail Willette

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


Shelley S. Dreifuss
Attorney

Washington, DC 20268-0001
January 26, 1998